The Pulse of Private Equity – 4/3/2017

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Plenty of value yet to be realized in older PE vintages
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In the world of private equity, the long-persisting effects of the financial crisis are still evident, particularly when regarding fund returns from certain, most affected vintages. Funds from vintages between 2007 and 2009 inclusive still possess plenty of value yet to be realized, having taken relatively longer to build up total value to paid-in capital multiples given the effects of the crisis. In fact, the sizable disparity between what has been able to be realized thus far between funds of the 2009 vintage and those of 2010 can be chalked up to the resumption of a relatively more normal operating and investing environment, circa 2011 to 2012. What's interesting to contemplate going forward is how the balance of unrealized value will eventually be recouped into actual gains by PE sponsors looking to sell. Their backers are cognizant of how timelines to liquidity had been extended by the effects of the recession, but at the same time, one has to acknowledge that there are plenty of more recently acquired assets that could also end up drawing interest from potential buyers, as they were healthier businesses to begin with and didn't take as long to tune up. Obviously the level of demand plays a crucial role, yet at the same time, PE fund managers can redouble efforts at positioning certain companies for sale sooner. Exactly how PE firms will prioritize clearing which portfolio companies off their books will be an intriguing trend to monitor going forward.